



United States
Department of
Agriculture

Small Hog Operation Payment (SHOP) Program

Background

The 1999 Emergency Supplemental Appropriations Act, signed into law by President Clinton May 21 of that year, authorized additional funding for Section 32 of the Act of August 24, 1935, and removed the 25 percent limitation on the amount of funds that may be devoted annually to any one agricultural commodity or products thereof. USDA decided to use the supplemental funding to make additional payments under the SHOP program. The payments will be made to producers who sold hogs and pigs during the last 6 months of 1998.

These payments are in addition to \$50 million already paid under the Small Hog Operation Payment (SHOP) earlier in 1999.

Who Is Eligible For Payments?

Eligibility requirements are modified from those for the initial SHOP program.

Producers qualify for the direct cash payments if their hog operation (1) marketed fewer than 2,500 hogs during the last 6 months of 1998, and (2) is still in operation. Two restrictions apply. First, hog operations are not eligible for payments on hogs marketed under

fixed-price or cost-plus contracts. Second, any operation whose gross income for 1998 was greater than \$2.5 million will not be eligible for payments, this is also true for USDA's crop disaster assistance programs.

Eligibility is based on marketings during the last 6 months of 1998 to avoid distorting current marketings. The 6-month period also accommodates the marketing practices of small producers who may not market hogs every week or month, but who need help to weather the current economic crisis.

How Many Producers Are Eligible?

USDA estimates that 80-90 percent of producers, or nearly 100,000 nationwide, are eligible for these payments.

How Much Will Producers Be Paid?

Producers will be paid up to \$10 per slaughter-weight hog (or the equivalent for feeder pigs and other swine) multiplied by the number of hogs (up to 500) marketed during the last 6 months of 1998. For payment purposes, producers are limited to 500 market hogs (or an equivalent number of feeder pigs), so the maximum payment that will be paid to any operation is \$5,000.

Hog farmers who received payments under the original SHOP will receive a prorated amount to bring the total payment to \$10 per slaughter-weight hog or equivalent.

What Must Producers Do To Sign Up For Payment?

Payments will be made through USDA's Farm Service Agency (FSA) local offices.

Signup for the new hog payment will begin August 9 and end September 24, 1999. During this signup period, producers who did not participate in the previous SHOP must apply for the program at their local FSA office to receive the payment.

Farmers who received previous SHOP payments need not reapply; their payments will be made automatically.

What Records Will Producers Need To Apply?

Producers will be required to certify that they meet the eligibility requirements of the program. FSA has an application form that producers must fill out to sign up for the program.

The form requires producers to

Fact Sheet**Small Hog Operation Payment (SHOP)**

include: (1) the name of the operation and a list of persons involved in it, (2) the number of slaughter hogs and feeder pigs marketed in the last 6 months of 1998, and (3) the buyers of the hogs and pigs.

The form also includes: (1) a statement affirming that the producer is still in business at the time of the SHOP request, (2) a statement affirming that the producer did not market his or her hogs under fixed-price or cost-plus contracts, and (3) a statement affirming that the producer is aware that USDA will be conducting spot checks. For those producers selected for spot checks, additional information may be requested.

Any producer who receives a payment based on erroneous information will be required to repay USDA. Also, any producer who

receives a payment based on a fraudulent application will be required to repay USDA and may face criminal prosecution.

When Will Payments Be Made?

Recipients of the original SHOP payment will receive their payments in August. New applicants will be paid when their applications are approved by the Commodity Credit Corporation.

What Is the Legal Authority for These Payments?

The payments will be made under USDA's Section 32 program (Section 32 of the Act of August 24, 1935). USDA typically uses Section 32 to purchase commodities that are in surplus for distribution through Federal food assis-

tance programs. Section 32 also permits direct payments to farmers to reestablish their purchasing power. This is the first time in 38 years that payments will be made directly to producers under the Section 32 program. The use of Section 32 funds for direct payments will not reduce the amount of assistance for our food and nutrition programs.

How Can I Get Further Information?

Local FSA offices are the best source for producers seeking additional information. These are listed in telephone directories under "United States Government, Department of Agriculture."

Program details will also be published in the Federal Register in the near future.

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